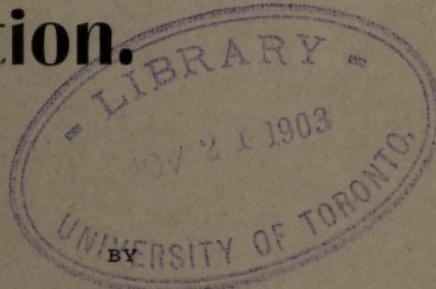


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Mr. Chamberlain's Defence of Colonial Protection.



J. RIGBY SMITH.



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P. S. KING & SON,
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THIS pamphlet has been edited by a friend,
who has also defrayed the cost of printing.

Mr. Chamberlain's Defence of Colonial Protection.

AT Glasgow, on October 6th, Mr. Chamberlain made two disclosures, one of them unintentional. He explained his fiscal proposals, but he also disclosed the state of his mind on economic theory. A politician habituated to change of opinion, and fortified in every new position by popular applause, is apt to overlook the difference between the demonstrable and the probable. He has the excuse that unscrupulous advocates claim the shelter of science for dicta of every degree of uncertainty, but this does not alter the fact that some things—the multiplication table for example—have been definitely ascertained. In defending Colonial protection, Mr. Chamberlain has come into collision with truth, which no instructed person has disputed since Adam Smith. Mr. Balfour, more in touch with philosophy, has guarded himself against this mistake. Mr. Chamberlain has succumbed to the fact that “the vast majority of the working men in all the Colonies are protectionists.” The free trade minority in each colony say that that is because the majority are fools. Mr. Chamberlain refuses to accept this explanation. He throws over the text-books and accepts the *vox populi* as a guide to truth. He elaborates the point so that there is no mistake about his position. This curious development has not been turned to much controversial account, probably because a logical point does not appeal to the political public. But it has not escaped notice. The *Sydney Morning Herald* at once recognised “the familiar arguments of the bold pro-

tectionist School." Mr. Winston Churchill has shown a lively appreciation of the disclosure. With Mr. Chamberlain, says Mr. Churchill, "imports are evils and free-traders fools." Mr. Asquith, at Cinderford, was emphatic, and said Mr. Chamberlain's nostrum was "compounded of old-fashioned and discredited drugs." Unfortunately strength of language is so often used in political discussion without logical justification that in this case it is not so impressive as it deserves to be.

To do justice to Mr. Chamberlain's new position Mr Rhodes's definition of protection will be useful. "It is protection," said Mr. Rhodes before the South African Committee (*Times*, 27th February, 1897), "when it creates bad factories and makes bad goods." If it be asked how can a man of Mr. Chamberlain's business experience join the party of "bad factories" and "bad goods," one must look at his methods. In a friendly review of his life (by Mr. Jeyes), the reviewer says "he has always begun at the other end, the end where the facts are, and on them he forms his opinions." This may be described as a recipe for making a political weathercock. The dangers of the method are admitted by *The Times* (October 12th). "The manipulation of figures is so easy, and the art of deriving correct conclusions from them is so profoundly difficult." In the same article, *The Times* admits the force of Mr. Churchill's criticism previously referred to, "Mr. Chamberlain would not have been less impressive if he had told his hearers," etc.

Mr. Chamberlain has disclosed a technical ignorance in economics similar to the military ignorance of Marshal Lebœuf in 1870. When the Germans were first sighted the Marshal ordered up the mitrailleuses. An officer quietly remarked, "The enemy is at 2,000 paces, the mitrailleuses carry 400 paces." The Marshal subsided. The point Mr. Chamberlain has failed to understand is the nature of the benefit of trade; it lies in the increase of the necessities and conveniences of life for a given industrial effort. As the process by which this result is reached is somewhat complicated,

mistake is common as to the connection of cause and effect. Benefit and injury are usually exclusively recognised in the trader's profit. If the foreigner restricts trade, people imagine that the evil can be completely and satisfactorily met by reciprocal restriction. The effect of protection is judged by comparing communities in which other causes are at work, and in which the mixture of effects is inextricable. Germany and America are quoted as examples of the benefits of protection. It would be as reasonable to attribute the commercial success of Germany to excessive drinking of beer, and that of America to the influence of Tammany. The inference would be on the same logical pattern: *cum hoc ergo propter hoc*. If there were twelve large countries, six protective and prosperous, and six without tariffs and poverty-stricken, nothing could be inferred as to the influence of tariff on prosperity by comparing these examples. In order to obtain conclusions of any value the action of the dominating causes of wealth and poverty must be separately investigated; either by choosing examples, showing each cause in separate and unperturbed action, or by working on hypothesis.

The two chief causes of wealth and poverty in communities are trade and population. Trade operates uniformly in the same direction, that is always beneficially. Population operates like trade for a time, and then reverses its action. Increase of population permits further division of labour, and thus increases the efficiency of each unit of productive force. But as the surface of the globe, and the area of every country is limited, there is a point at which the benefit of division of labour is counteracted by the scarcity of land of good quality. Prosperity results from maximum trade and mean population. Some countries suffer because the mean of population is not reached, and some because it is overpassed. If a single owner has ten thousand acres of good land, his ten sons may each enjoy more comfort with a thousand acres each. But if the owner of a thousand acres leaves ten sons,

and each of these also leaves ten, the grandsons of the owner of a thousand acres will have ten acres each. *Morcellement* at this rate would rapidly lead to actual starvation. A community on the thousand acre scale might indulge in protection, bad farming, and domestic extravagance, and still prosper. A community on the ten acre basis might remove all shackles on trade, use the greatest skill in farming, and practise the severest economy, and yet be pinched by want. It is clear that a comparison of these two examples would give no ground for believing in protection, bad farming, or domestic extravagance, as helps to prosperity.

The actual effect of trade has been investigated by a master, Adam Smith, and can be known by any one who will take a little trouble. To understand it needless complications must be removed. Money must be ignored. The distribution of bullion among the nations is very slightly affected by annual trade. If the excess of English imports were paid in gold, as people suppose and assert, a sovereign would be as rare in these islands as the dodo. Nations, as a matter of statistical fact, buy goods with goods; money is a transitory incident in the business. The results are not affected in truth, but gain in clearness by leaving money out of the account.

England sends coal to France and imports champagne. If these were the only exports of the two countries the coal would be exchanged for champagne, though paid for in money. In a simple case like this the effect of protection can be easily traced. We can suppose the French Government to seize without payment one ton in a hundred, in twenty, in four, or every ton. The latter figure would be pure prohibition. If the tax of one ton in a hundred checked the trade, it would be partial prohibition. Now prohibition so far as it goes destroys the benefit of trade. Frenchmen would be deprived of good coal, and Englishmen of good champagne. If the prohibited trade affected articles which both countries could produce but at different advantage, prohibition destroys the local ad-

vantage. If this amounts to half the cost of production prohibition would have exactly the effect in the two countries that would follow if trade were free, coupled with the condition that workers on the exported articles must spend half their time in digging pits and filling them up again. Trade abolishes superfluous labour. The belief that restriction of trade can have an enriching effect is a curious example of popular delusion.

The movement of population cannot be dealt with so easily as the movement of goods. What the ideal mean of population is in any given country is a most difficult fact to determine. When food is largely imported, and when, as in some countries, labour migrates periodically, the question becomes highly complicated. The fears on which protection works have their only ground in immigration and unchecked multiplication.

Unfortunately popular opinion has had little help in drawing these vital distinctions. The classic political economy, as may be seen from Mr. Cannan's valuable History of Theories of Production and Distribution, was a philosophic failure. Adam Smith left *lacunæ* which very inferior men attempted in vain to supply.

Two persons or two nations who refrain from profitable trade with each other must suffer a common loss. If outside trade is neglected for the sake of exclusive dealing, the loss may be one-sided. Canada would gain, but England would lose, by handicapping American wheat in the English market. The gain of Canada would not equal the combined loss of England and America. Protectionist gain can only be carried in a leaky bucket.

When two nations only are concerned there are always three parties to the transaction. The tariff injures one party and benefits another in the country which imposes it. The injured section is a dupe or a victim, according to the measure of its intelligence. Finance and medicine testify to the number of dupes in every country. The proposed sufferers in England are largely victims since they realize with clearness the mischief intended. The Appeal of the Labour mem-

bers of the House of Commons to the Colonies, issued as a leaflet by the Cobden Club, misses nothing in the situation.

Weakness of theory loosens the grasp on facts. Mr. Chamberlain told a meeting at the Constitutional Club on June 26th that the Colonies "take from us at the present time £10 per head." The correct figure appears to be £5 10s. Mr. Seddon, at the New Zealand dinner in London on June 17th, 1902, treated the company with the analogue of the sea-serpent myth. He said "England received from foreign countries 413 million pounds worth of goods last year, and exported 252 million pounds worth to foreign countries. This showed a balance of trade against the mother country of 161 millions. England had to send out that many golden sovereigns to meet the difference." Some of his hearers were familiar with the hoary myth, and cried, "No, no." Partizans refer apologetically to this escapade. Professor Ashley, in "The Tariff Problem," defends, although he refers to it as "the much-ridiculed recent remark of a Colonial Premier."

Mr. Chamberlain is not apparently aware of the vital distinction between trade in commodities, and the migration of labour. He asked, on July 27th, in the House of Commons, whether there is to be free trade in everything but labour. Protectionism in democracies can only be explained on the hypothesis of delusion. The Colonies by their tariffs have hurt this country, but they have also hindered their own prosperity. A single trade may be used to illustrate the case. Boots can be imported into Australia cheaper than they can be made. But two branches of the trade must take native root, boot mending and making boots to measure. It is to the manifest interest of the customers to restrict the native dealer in boots to these branches, but it is not the interest of the trader in boots. If the boot interest and all similar interests can persuade the simple country folk that there is a national advantage in buying dear and bad boots a tariff can be passed. If each individual is left to manage his own

business, imports will rise to the point of maximum utility. If the elector is asked whether he would rather import pauper-made goods or encourage native industry he is placed in the position of having a sum to do in a rule he does not understand, and he usually gives the wrong answer. Importation of pauper-made goods raises native wages and cannot depress them. The native never troubles himself (tariffs apart) to compete in the goods imported from the pauper countries, but attends to the goods which cannot be so imported. At the end of the transaction he has more necessaries and comforts for a given effort than he would have had if he foolishly restricted trade. Importation of the pauper labour is quite another matter. In time the natives will, in any known community, breed their own paupers, thus the evil they fear will come upon them, but not by the way of unrestricted trade.

The traders have a good card to play in the repugnance of the people to taxation of any kind. If the tax is put on imports the people can be persuaded that the outsider will pay it. How difficult it is to resist the protectionist delusion is now apparent from the example of Mr. Chamberlain.

Universal protection creates a problem for the statesmen: a world which believes that it can sell without buying is not easy to deal with. A large population which an immense trade has fostered has to be fed. We hold a good position; we still have our Imperial title to India and our recent African acquisitions and conquests. If all the world proceeded from protection to prohibition we could found a self-contained Empire on the lands we hold without counting the self-governing colonies. Before alienating any more land this point should be considered. It is unnecessary to use these resources until forced to do so by hostile foreign and colonial tariffs. In the home country something useful can be done. We can check pauper immigration, and the rate-aided domestic increase of population. We can abate the labour strife and the attack on capital, and thus set our manufacturers free to follow their

proper business. Mr. Chamberlain has given a false lead ; it was condemned in advance by Lord Salisbury at Birmingham on November 25th, 1891, in Mr. Chamberlain's presence. Lord Salisbury said "the sight that we see, looking at matters especially from the Foreign Office (loud cheers), is that of tariffs growing up on all sides of us, constant increases of protective duties, limiting and to the utmost of their ability stifling our trade. We see that the heresy on which these efforts are founded does not diminish, but on the contrary grows, and that like other evil passions the appetite grows with what is furnished for it to feed upon, and as we watch from week to week the returns of our exports we cannot but feel some anxiety (hear, hear) lest for a time at least these efforts may be partially successful, and what we deem to be the errors of foreign statesmen may be translated into fact by the suffering of our commercial classes, and the something worse than suffering of the industrial labourers who depend upon them. (Cheers.) These things give us great anxiety.

But I think one of the acutest portions of our anxiety lies in this—that in their ignorance, and misled by men who, though honest, are mistaken, they cry for remedies which are no remedies at all (cheers), and which we know perfectly well that if we help them to obtain would plunge them in far deeper misery than before."



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